



OCIE 2020 Priorities: New Challenges, Familiar Checks

By Richey May & Co.

Overview

The Securities and Exchange Commission’s Office of Compliance Inspections and Examinations (OCIE) recently released its 2020 priorities. While many priorities continue on themes from previous years, there are a few new and nuanced focal points that financial service providers should prepare for. Many of these came out of the new rules and interpretations in FY 2019; others reflect the changing investment and advising world. All, of course, are designed to protect both the institution and the investor. The stated priorities are:

- **Information security**
- **Financial Technology FINTECH and innovation**
- **Specific focus areas involving Registered Independent Advisors and investment companies**
- **Additional attention to areas involving broker-dealers and municipal advisors**
- **Anti-Money laundering programs**
- **Market infrastructure**
- **Focus on FINRA AND MSRB**

Of these priorities, the experts at Richey May suggest paying particular attention to the following:

Information Security

Cyber criminals and data thieves are increasingly sophisticated — OCIE wants to make sure your security measures keep up. Financial professionals are privy to a significant amount of personal data, which

must be carefully secured and monitored. The devastating effects of a breach to both consumer confidence and security cannot be overstated.

Expect OCIE to check the ways consumer information is stored, used, and monitored, as well as verify the organizational policies and trainings in place to keep data secure. Information access and hardware disposal will be checked, as well as the measures taken by third-party vendors doing business with financial services organizations.



Financial Technology (Fintech) And Innovation, Including Digital Assets And Electronic Investment Advice

Technology is paving the way for a very different way of doing business, from new and innovative data sources and management to digital assets and even electronic investment advice. Digital assets and electronic investment platforms in particular can be confusing to retail clients, and OCIE will ensure firms are taking steps to educate consumers.

Among others, expect increased attention on the suitability of investments, pricing and valuation, compliance programs, and portfolio management practices.

Focus Areas Involving Registered Independent Advisors (RIAs) And Investment Companies

RIAs are no strangers to OCIE examinations, and this year will be no different. RIAs can expect scrutiny on several aspects of their compliance programs, including disclosures and governance. Focus will also be on risk-based examinations of RIAs who have never been examined and those who have not been visited in several years. In addition, RIAs to private funds can expect scrutiny.

As always, prevention is the best medicine; RIAs should prepare for examinations by maintaining effective compliance programs and addressing risks. Firms should also check the compliance of third-party asset managers' policies and procedures. In addition, any new or emerging investment strategies should have accurate, adequate disclosures.

Anti-Money Laundering Programs

Money laundering remains a serious concern. The Bank Secrecy Act requires firms to establish specific programs to combat the practice, and compliance to it means enforcing clearly outlined policies and procedures to, among other things, establish the identity of customers and beneficiaries, be aware of suspicious activity, and work in conjunction with law enforcement where necessary.

Examiners will check that firms are not only enforcing policies surrounding identification but are also self-monitoring with thorough tests of their AML programs. SAR filings, due diligence, and beneficial ownership compliance will also be checked.



About Richey May & Co, LLP

Richey May's team of industry experts closely monitors changes and updates to SEC examination priorities, as well as key risks and trends for financial service providers. Contact Stephen Vlasak, our Alternative Investment partner, at svlasak@richeymay.com or visit www.richeymay.com for answers to all your compliance questions.

For the complete 2020 priorities, visit:

<https://www.sec.gov/about/offices/ocie/national-examination-program-priorities-2020.pdf>

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